

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**



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Order Instituting Rulemaking to Implement the
Commission's Procurement Incentive Framework and to
Examine the Integration of Greenhouse Gas Emissions
Standards into Procurement Policies.

Rulemaking 06-04-009
(Filed April 13, 2006)

**COMMENTS OF SUSTAINABLE CONSERVATION ON
ALLOCATION OF GREENHOUSE GAS EMISSION ALLOWANCES**

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FOR Sustainable Conservation

October 31, 2007

I. INTRODUCTION

In accordance with the Rules of Practice and Procedure of the California Public Utilities Commission (“CPUC”), Sustainable Conservation submits these comments on emission allowance allocation issues, as requested in the Administrative Law Judge’s October 15, 2007 ruling. Sustainable Conservation applauds the Commission for examining the many complex issues related to emission allowances. The interplay of the issues outlined in the Ruling and other issues before the Commission in R.06-02-012 related to tradable renewable energy credits are emerging and deserve particular attention.

Sustainable Conservation has a particular focus on issues related to biogas digesters, a form of baseload renewable power that provides significant greenhouse gas emission reduction benefits, in addition to other environmental advantages. For purposes of the current ruling, if the Commission recommends a first seller approach to allowance allocation, small renewable distributed generation should not be subject to the regulations.

Sustainable Conservation in these comments also asks the Commission to grant it party status, in accordance with Rule 1.4(a)(2)(ii) of the Rules of Practice and Procedure.

II. SMALL RENEWABLE DISTRIBUTED GENERATION SHOULD NOT BE SUBJECT TO ALLOWANCE ALLOCATION REGULATIONS

In Decision 07-01-039, the Commission determined that several renewable resources and technologies are compliant with an emissions performance standard. D.07-01-039 singles out biomass and biogas technologies:

“In particular, the record shows that electric generation using biomass (e.g., agricultural and wood waste, landfill gas) that would otherwise be disposed of under a variety of conventional methods (such as open burning, forest accumulation, landfills, composting) results in a substantial *net reduction* in GHG emissions. This is because the usual disposal options for biomass wastes emit large quantities of methane gas, whereas the energy alternatives either burn the wastes that would become methane or burn the methane itself, generating CO₂.

Since methane gas is on the order of twenty to twenty-five times more potent as a GHG than CO₂, and since methane has an atmospheric residence time of twelve years, after which it is converted to atmospheric CO₂, trading off methane for CO₂ emissions from energy recovery operations leads to a net reduction of the greenhouse effect.”¹

It is important to recognize that biomass and biogas do not emit “fossil” carbon. The CO₂ emitted from burning biomass and biogas is biogenic carbon; in the case of biogas digesters, this CO₂ is annually cycled whether it is burned to generate electricity or is released during the decomposition of organic matter (manure, crop waste, etc). As should be self evident, these technologies should not need to purchase allowances, and under the Commission’s procurement policies they count as zero net emissions for the emissions performance standard. Because these technologies destroy greenhouse gases, it does not make sense to include them in any regulatory system for carbon allowance allocation.

Note also that small renewable generators are likely to be important in a carbon offset program. In such a position new facilities will be funded by substantial private sector investment, now starting to happen in anticipation of an emerging market. And they will become significant sources for new carbon neutral or carbon negative electricity generation. Putting them in an allowance program would seem to defeat that purpose without providing any tangible benefits. In fact, doing so would likely create administrative headaches for both the generators and the State agencies administering the program due to the large number of facilities to include, most of which will not have countable GHG emissions.

Other regulatory bodies have recognized that there are no net carbon emissions associated with biomass and biogas technology. The Intergovernmental Panel on Climate Change

¹ D.07-01-039, pp. 18-19.

recognizes that “Biomass is a special case.”² Carbon-equivalent emissions from biomass and biogas are biogenic emissions and will be inventoried and reported in a different category from fossil fuels and will not require allowances.

The United Nations Framework Convention on Climate Change (“UNFCCC”) has developed a clean development mechanism for issuing offset credits in accordance with the Kyoto Protocols, with a focus on developing countries. In 2004, UNFCCC published a methodology for calculating greenhouse gas reductions from manure management systems. The accounting tool UNFCCC uses has separate quantification methodologies for projects that have methane destruction by anaerobic manure digesters. When measuring greenhouse gas emission reductions from manure management, the UNFCCC methodology separates CO₂ emissions as a result of electricity generation from the methane that is destroyed in the process.

The California Climate Action Registry (“CCAR”) in June 2007 adopted its first industry-specific project reporting protocol, the Livestock Reporting Protocol for Capturing and Combusting Methane from Manure Management Systems. The CCAR Protocol specifically delineates greenhouse gas reductions from farm operations (capturing methane that would otherwise be emitted) from those associated with operation of a biogas digester: “Furthermore, producing power for the electricity grid (and thus displacing fossil-fueled power plant GHG emissions) is a complementary and separate GHG project activity to destroying methane gas from waste treatment/storage, and not included within this protocol’s accounting framework.”³

California’s treatment of GHG emissions/benefits from renewable technologies, particularly biomass and biogas, should be consistent with the regulatory policies adopted by

² IPCC, “2006 IPCC Guidelines for National Greenhouse Gas Inventories,” Volume 2: Energy, p. 2.33. This document can be found online at: http://www.ipcc-nggip.iges.or.jp/public/2006gl/pdf/2_Volume2/V2_2_Ch2_Stationary_Combustion.pdf

³ California Climate Action Registry, “Livestock Project Reporting Protocol: Capturing and Combusting Methane from Manure Management Systems,” June, 2007, p. 3.

other state and international entities. Including them in an allowance system would seem to run counter to these established policies, would not achieve any additional greenhouse gas reduction outcomes and may create barriers to new renewable generation.

III. THE COMMISSION SHOULD GRANT SUSTAINABLE CONSERVATION PARTY STATUS

Rule 1.4(a)(2)(ii) allows any person that wishes to become a party to a Commission proceeding to do so by filing comments in a rulemaking. By this filing, Sustainable Conservation seeks party status. Sustainable Conservation is a non-profit public benefit corporation with a long-standing interest in advancing the stewardship of natural resources using innovative, pragmatic strategies that actively engage businesses and private landowners in conservation. This includes participation and advocacy before regulatory entities including the California Air Resources Board, the California Energy Commission, and the California Public Utilities Commission, as well as other State agencies, boards, and the Legislature. Sustainable Conservation is a formally organized group authorized pursuant to its bylaws to, among other things, “develop, support, and demonstrate ecologically and environmentally sensitive business strategies and land use” and “represent interests related to the Corporation’s conservation activities in regulatory, judicial and legislative proceedings.”⁴

Sustainable Conservation is an active participant in ongoing Commission proceedings related to renewable resources and the renewable portfolio standard (R.06-20-012, R.06-05-027). Sustainable Conservation’s focus in those proceedings, as in this one, is on issues related to biogas digesters. Sustainable Conservation is not seeking to expand the scope of the proceeding, and offers herein comments that are responsive to the Administrative Law Judge’s October 15

⁴ “Bylaws of Sustainable Conservation, a California Public Benefit Corporation,” Article 3.

ruling, particularly the questions around emission allowances with a deliverer/first seller point of regulation.

The Commission should grant Sustainable Conservation party status in this proceeding.

IV. CONCLUSION

If the Commission recommends a first seller approach to greenhouse gas allowance allocation, it should refrain from including small renewable generation, particularly biomass and biogas, from that requirement. The Commission also should grant party status to Sustainable Conservation.

Dated: October 31, 2007

Respectfully submitted,

By:



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For SUSTAINABLE CONSERVATION

CERTIFICATE OF SERVICE

I, Jody London, certify that I have, on this date, caused the foregoing COMMENTS OF SUSTAINABLE CONSERVATION ON ALLOCATION OF GREENHOUSE GAS EMISSION ALLOWANCES to be served by electronic mail, or for any party for which an electronic mail address has not been provided, by U.S. Mail on the parties listed on the Service List for the proceeding in California Public Utilities Commission Docket No. R.06-04-009 and the California Energy Commission's docket 07-OIIP-01.

I declare under penalty of perjury, pursuant to the laws of the State of California, that the foregoing is true and correct.

Executed on October 31, 2007, in Oakland, California.

A handwritten signature in blue ink, reading "Jody London", is positioned above a horizontal line.

Jody London

CALIFORNIA PUBLIC UTILITIES COMMISSION

Service Lists

Proceeding: R0604009 - CPUC - PG&E, SDG&E,
Filer: CPUC - PG&E, SDG&E, SOCALGAS, EDISON
List Name: LIST
Last changed: October 29, 2007

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